

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

JASON MOOMJY, individually and on behalf
of all others similarly situated,

Plaintiff,

v.

HQ SUSTAINABLE MARITIME
INDUSTRIES, INC., NORBERT SPORNS
and JEAN-PIERRE DALLAIRE,

Defendants.

No.

CLASS ACTION COMPLAINT

Plaintiff has alleged the following based upon the investigation of Plaintiff's counsel, which included a review of United States Securities and Exchange Commission ("SEC") filings by HQ Sustainable Maritime Industries, Inc. ("HQSM" or the "Company"), as well as regulatory filings and reports, securities analysts' reports and advisories about the Company, press releases and other public statements issued by the Company, and media reports about the Company, and Plaintiff believes that substantial additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

I. NATURE OF ACTION

1. This is a federal class action on behalf of purchasers of the common stock of HQSM between May 11, 2009 and April 1, 2011, inclusive (the “Class Period”), seeking to pursue remedies under the Securities Exchange Act of 1934 (the “Exchange Act”).

2. HQSM has been materially overstating its sales, revenue and net income since *at least* the first quarter of 2009. These overstatements allowed the Company’s stock to continue to trade at artificially high levels throughout the Class Period, and also allowed the Company to make two public offerings of its securities in 2009 and 2010.

3. The Company continued to act as if its financial results and prospects were outstanding until March 16, 2011, when it announced that it would be unable to file its financial statements and annual report with the SEC on that date, as required by federal law, and was seeking a 15 day extension “due to delays in compiling information for the preparation of the financial statements.” The Company assured investors, however, that it “fully expected” to be able to file its 2010 financial statements by April 1, 2011. In response to this unsettling news, HQSM shares fell \$0.58 per share, or 15% to close trading at \$3.26 per share.

4. Behind the scenes, however, the truth was far more sinister than a mere “delay in compiling information.” In reality, the Company’s CEO was deliberately stonewalling the auditors and special counsel brought in by the audit committee to investigate accounting improprieties at the Company.

5. With the Company’s CEO taking all possible steps to keep the auditors from doing their job investigating the reported sales and revenues of the Company, there was simply no way that the April 1, 2011 deadline could be met, despite these representations.

6. After the close of the market on April 1, 2011, investors were shocked to discover that HQSM was still out of compliance with federal laws and AMEX listing standards, causing trading in the Company’s shares to be suspended by the AMEX. HQSM shares closed trading on April 1, 2011 at \$2.78 per share, and have not resumed trading since.

7. In a letter dated April 6, 2011 (which was filed as an Exhibit to the Company's Form 8-K filed on April 11, 2011), the Chairman of HQSM's audit committee of the board of directors, Andrew Intrader, abruptly resigned, and disclosed some of the previously undisclosed problems that were going on behind the scenes at HQSM. Director Intrader disclosed, in great detail, the numerous steps that he had taken to try and unravel the accounting misconduct at the Company, including going so far as engaging the national law firm of Latham & Watkins to conduct an internal investigation. Director Intrader also noted how the CEO of the Company had refused to cooperate into this investigation, and had blocked the Company's independent auditors from reviewing data necessary to audit the reported sales and revenues of HQSM. As a result, Director Intrader felt "compelled by conscience" to resign his position as audit committee chairman and as a director of the Company.

8. To this date, the Company has still not filed its financial reports, is still out of compliance with federal law and AMEX regulations, and has never resumed trading. It is unclear when, if ever, the Company will come clean about its accounting.

II. JURISDICTION AND VENUE

9. The claims asserted herein arise under and pursuant Sections 10(b) and 20(a) of the Exchange Act [15 U.S.C. §§ 78j(b) and 78t(a)] and Rule 10b-5 promulgated thereunder by the SEC [17 C.F.R. § 240.10b-5].

10. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1331 and Section 27 of the Exchange Act.

11. Venue is proper in this District pursuant to Section 27 of the Exchange Act and 28 U.S.C. § 1391(b). Many of the acts charged herein, including the preparation and dissemination of materially false and misleading information, occurred in substantial part in this District.

12. In connection with the acts alleged in this Complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not

1 limited to, the mails, interstate telephone communications and the facilities of the national
2 securities markets.

3 **III. PARTIES**

4 13. Plaintiff Jason Moomjy, as set forth in the accompanying certification and
5 incorporated by reference herein, purchased the common stock of HQSM during the Class Period
6 and has been damaged thereby.

7 14. Defendant HQSM is incorporated in Delaware and maintains its headquarters at
8 1511 Third Ave., Suite 788, Seattle, WA 98101.

9 15. The following officers and directors of HQSM (the “Individual Defendants”) are
10 also defendants in this action:

11 (a) Defendant Norbert Sporns (“Sporns”) is and was, at all relevant times, a
12 member of the board of directors and Chief Executive Officer of HQSM.

13 (b) Defendant Jean-Pierre Dallaire (“Dallaire”) is and was, at all relevant
14 times, the Chief Financial Officer, Chief Accounting Officer and financial controller of HQSM.

15 16. During the Class Period, the Individual Defendants, as senior executive officers
16 and/or directors of HQSM, were privy to confidential and proprietary information concerning
17 HQSM, its operations, finances, financial condition and present and future business prospects.
18 The Individual Defendants also had access to material adverse non-public information
19 concerning HQSM, as discussed in detail below. Because of their positions with HQSM, the
20 Individual Defendants had access to non-public information about its business, finances,
21 products, markets and present and future business prospects via internal corporate documents,
22 conversations and connections with other corporate officers and employees, attendance at
23 management and/or board of directors meetings and committees thereof and via reports and other
24 information provided to them in connection therewith. Because of their possession of such
25 information, the Individual Defendants knew or recklessly disregarded that the adverse facts
26 specified herein had not been disclosed to, and were being concealed from, the investing public.

1 17. The Individual Defendants are liable as direct participants in the wrongs
2 complained of herein. In addition, the Individual Defendants, by reason of their status as senior
3 executive officers and/or directors, were “controlling persons” within the meaning of Section
4 20(a) of the Exchange Act and had the power and influence to cause the Company to engage in
5 the unlawful conduct complained of herein. Because of their positions of control, the Individual
6 Defendants were able to and did, directly or indirectly, control the conduct of HQSM’s business.

7 18. The Individual Defendants, because of their positions with the Company,
8 controlled and/or possessed the authority to control the contents of its reports, press releases and
9 presentations to securities analysts and through them, to the investing public. The Individual
10 Defendants were provided with copies of the Company’s reports and press releases alleged
11 herein to be misleading, prior to or shortly after their issuance and had the ability and
12 opportunity to prevent their issuance or cause them to be corrected. Thus, the Individual
13 Defendants had the opportunity to commit the fraudulent acts alleged herein.

14 19. As senior executive officers and/or directors and as controlling persons of a
15 publicly traded company whose common stock was, and is, registered with the SEC pursuant to
16 the Exchange Act, and was, and is, traded on The American Stock Exchange (“AMEX”) and
17 governed by the federal securities laws, the Individual Defendants had a duty to promptly
18 disseminate accurate and truthful information with respect to HQSM’s financial condition and
19 performance, growth, operations, financial statements, business, products, markets, management,
20 earnings and present and future business prospects, and to correct any previously issued
21 statements that had become materially misleading or untrue, so that the market price of HQSM’s
22 common stock would be based upon truthful and accurate information. The Individual
23 Defendants’ misrepresentations and omissions during the Class Period violated these specific
24 requirements and obligations.

25 20. The Individual Defendants are liable as participants in a fraudulent scheme and
26 course of conduct that operated as a fraud or deceit on purchasers of HQSM’s common stock by

1 disseminating materially false and misleading statements and/or concealing material adverse
 2 facts. The scheme: (i) deceived the investing public regarding HQSM's business, operations
 3 and management and the intrinsic value of HQSM's securities; (ii) allowed the Company to
 4 complete an offering of 1.4 million shares of its common stock on or about June 12, 2009,
 5 whereby the Company received approximately \$11.9 million in net proceeds; (iii) allowed the
 6 Company to complete an offering of 3,202,999 shares of its common stock and warrants to
 7 purchase up to 1,601,499 shares of its common stock on or about August 10, 2010, whereby the
 8 Company received approximately \$11.5 million in gross proceeds; and (iv) caused Plaintiff and
 9 members of the Class to purchase HQSM common stock at artificially inflated prices.

10 **IV. CLASS ACTION ALLEGATIONS**

11 21. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil
 12 Procedure 23(a) and (b)(3) on behalf of a class consisting of all those who purchased the
 13 common stock of HQSM between May 11, 2009 and April 1, 2011, inclusive, and who were
 14 damaged thereby (the "Class"). Excluded from the Class are Defendants, the officers and
 15 directors of the Company, at all relevant times, members of their immediate families and their
 16 legal representatives, heirs, successors or assigns and any entity in which Defendants have or had
 17 a controlling interest.

18 22. The members of the Class are so numerous that joinder of all members is
 19 impracticable. Throughout the Class Period, HQSM common stock was actively traded on the
 20 AMEX. While the exact number of Class members is unknown to Plaintiff at this time and can
 21 only be ascertained through appropriate discovery, Plaintiff believes that there are hundreds or
 22 thousands of members in the proposed Class. Record owners and other members of the Class
 23 may be identified from records maintained by HQSM or its transfer agent and may be notified of
 24 the pendency of this action by mail, using the form of notice similar to that customarily used in
 25 securities class actions.
 26

1 23. Plaintiff's claims are typical of the claims of the members of the Class as all
2 members of the Class are similarly affected by Defendants' wrongful conduct in violation of
3 federal law complained of herein.

4 24. Plaintiff will fairly and adequately protect the interests of the members of the
5 Class and has retained counsel competent and experienced in class action and securities
6 litigation.

7 25. Common questions of law and fact exist as to all members of the Class and
8 predominate over any questions solely affecting individual members of the Class. Among the
9 questions of law and fact common to the Class are:

10 (a) whether the federal securities laws were violated by Defendants' acts as
11 alleged herein;

12 (b) whether statements made by Defendants to the investing public during the
13 Class Period misrepresented material facts about the business and operations of HQSM;

14 (c) whether the price of HQSM common stock was artificially inflated during
15 the Class Period; and

16 (d) to what extent the members of the Class have sustained damages and the
17 proper measure of damages.

18 26. A class action is superior to all other available methods for the fair and efficient
19 adjudication of this controversy since joinder of all members is impracticable. Furthermore, as
20 the damages suffered by individual Class members may be relatively small, the expense and
21 burden of individual litigation make it impossible for members of the Class to individually
22 redress the wrongs done to them. There will be no difficulty in the management of this action as
23 a class action.

V. SUBSTANTIVE ALLEGATIONS

A. Background

27. Defendant HQ Sustainable Maritime Industries, Inc. engages in the production and marketing of health products derived from marine based raw materials, as well as Tilapia. It practices cooperative farming of sustainable aquaculture, produces all-natural enriched feeds, Tilapia value added products, and health products. The company markets its nutraceutical and health products, including its Omojo branded health products through retail and franchise sales in China. It produces and sells certified, value added seafood products, including ‘Gluten Free’ ‘Lillian’s Healthy Gourmet’ products in the United States. HQ Sustainable Maritime Industries, Inc. was founded in 1989 and is headquartered in Seattle, Washington.

28. On May 8, 2009, HQSM’s shares closed trading at \$9.47 per share.

B. Materially False and Misleading Statements Issued During the Class Period

29. The Class Period begins on May 11, 2009 with the announcement of the Company’s operating results for Q1 2009 (which ended March 31, 2009) in a press release that touted an 18% increase in sales for the quarter:

HEADLINE: HQ Sustainable Maritime Reports First Quarter Results; Sales Increased 18% Year-Over-Year

DATELINE: SEATTLE, WA; May 11, 2009

BODY:

HQ Sustainable Maritime Industries, Inc. (NYSE Amex: HQS) (“HQS” or the “Company”), a leader in all natural integrated aquaculture and aquatic product processing including fish byproduct personal healthcare products, today announced its financial results for the first quarter ended March 31, 2009.

First Quarter 2009 Results

For the quarter ended March 31, 2009, sales increased by 18% to \$10.8 million, compared to \$9.2 million for the first quarter of 2008. The Aquaculture Product segment accounted for \$7.3 million in sales, up 12% from \$6.5 million reported for the same period last year. Sales from the Health and Bio-product segment

1 were \$3.5 million, up 32% from \$2.6 million for the first quarter of
2 2008.

3 The gross profit for the first quarter of 2009 increased by 22% to
4 \$4.8 million, compared to gross profit of \$3.9 million for the same
5 period of 2008. The overall gross profit ratio increased to 44%,
6 compared to 42% for the three month period ended in March 31,
7 2008.

8 I am very pleased by our performance during the first quarter. We
9 hit the ground running in 2009, building upon the momentum we
10 gained from a very strong 2008. Our growth this quarter was
11 achieved in spite of this being a traditionally slower period as a
12 result of decreased business activity surrounding the Chinese New
13 Year. Our business also proved resilient in a tough global
14 economic environment, as we experienced strong sales
15 improvements in both of our segments.

16 This press release was materially false and misleading in that the financial results therein were
17 only achieved through the use of accounting trickery and did not comply with GAAP. Further,
18 Defendant Sporns' comments regarding sales growth were materially false and misleading for
19 the same reasons.

20 30. Also on May 11, 2009, the Company filed its quarterly report on Form 10-Q with
21 the SEC for Q1 2009, which ended on March 31, 2009. This report was signed by Defendants
22 Sporns and Dallaire in their capacities as CEO and Chief Accounting Officer, respectively. This
23 filing contained the same financial results as included in the May 11, 2009 press release, and was
24 materially false and misleading for the same reasons.

25 31. On May 11, 2009, HQSM shares closed trading at \$9.91 per share – a gain of
26 \$0.44 per share (4.6%).

32. Also included in this Form 10-Q were sworn certifications of Defendants Sporns
and Dallaire made pursuant to the requirements of 18 U.S.C. § 1350 that attested to the
truthfulness of the disclosures in the Form 10-Q, as well as to the accuracy and effectiveness of
HQSM's systems of accounting internal control. For example, Defendant Sporns' sworn
certification was as follows:

1 Certification pursuant to 18 U.S.C. Section 1350 as adopted
2 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and
3 pursuant to Rule 13a-14(a) and Rule 15d-14(a) under the Securities
4 Exchange Act of 1934

5 I, Norbert Sporns, Chief Executive Officer of the Company, certify
6 that:

7 1. I have reviewed this quarterly report on Form 10-Q of HQ
8 Sustainable Maritime Industries, Inc.;

9 2. Based on my knowledge, this report does not contain any untrue
10 statement of a material fact or omit to state a material fact
11 necessary to make the statements made, in light of the
12 circumstances under which such statements were made, not
13 misleading with respect to the period covered by this report;

14 3. Based on my knowledge, the financial statements, and other
15 financial information included in this report, fairly present in all
16 material respects the financial condition, results of operations and
17 cash flows of the registrant as of, and for, the periods presented in
18 this report;

19 4. The Registrant's other certifying officer(s) and I are responsible
20 for establishing and maintaining disclosure controls and
21 procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-
22 15(e)) and internal control over financial reporting (as defined in
23 Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and
24 have:

25 (a) Designed such disclosure controls and procedures, or caused
26 such disclosure controls and procedures to be designed under our
supervision, to ensure that material information relating to the
Issuer, including its consolidated subsidiaries, is made known to us
by others within those entities, particularly during the period in
which this report is being prepared;

(b) Designed such internal control over financial reporting, or
caused such internal control over financial reporting to be designed
under our supervision, to provide reasonable assurance regarding
the reliability of financial reporting and the preparation of financial
statements for external purposes in accordance with generally
accepted accounting principles;

(c) Evaluated the effectiveness of the Issuer's disclosure controls
and procedures and presented in this report our conclusions about
the effectiveness of the disclosure controls and procedures, as of
the end of the period covered by this report based on such
evaluation; and

(d) Disclosed in this report any change in the Issuer's internal control over financial reporting that occurred during the Registrant's fiscal quarter ending March 31, 2009 that has materially affected, or is reasonably likely to materially affect, the Issuer's internal control over financial reporting; and

5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditor and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

33. Defendant Dallaire signed an essentially identical sworn certification, which was also attached to the May 11, 2009 Form 10-Q. Together, these certifications are hereinafter referenced as the "Sarbanes-Oxley Certifications," and were made again with respect to each quarterly and annual report filed with the SEC throughout the Class Period.

34. These Sarbanes-Oxley Certifications were materially false and misleading because the Individual Defendants were aware that the financial statements were materially misrepresented through the inclusion of material amounts of "sales" that did not qualify for inclusion under relevant accounting standards, and that HQSM's systems of accounting internal control were materially flawed, and not properly designed to ensure accurate financial reporting.

35. On June 17, 2009, the Company announced the completion of an offering of 1.2 million shares of stock for total proceeds to the Company of \$10.4 million.

36. On June 30, 2009, HQSM announced in a press release that its underwriter had exercised an over-allotment option to purchase an additional 183,750 shares of Company stock

1 related to the June 17, 2009 offering for an additional \$1.5 million in gross proceeds to the
2 Company.

3 37. On August 10, 2009, HQSM announced its operating results for Q2 2009, ended
4 June 30, 2009, in a press release:

5 **HEADLINE: HQ Sustainable Maritime Reports Second**
6 **Quarter Results; EBITDA up 525% to \$3.2 Million From**
7 **\$512,000 in Q2 2008**

8 DATELINE: SEATTLE, WA; Aug 10, 2009

9 BODY:

10 HQ Sustainable Maritime Industries, Inc. (NYSE Amex: HQS)
11 (“HQS” or the “Company”), a leader in all natural integrated
12 aquaculture and aquatic product processing, including fish
13 byproduct personal healthcare products, today announced its
14 financial results for the second quarter ended June 30, 2009.

15 Second Quarter 2009 Results

16 For the quarter ended June 30, 2009, sales increased by 10% to \$16
17 million, compared to \$14.5 million for the second quarter of 2008.
18 The Aquaculture Product segment accounted for \$10.5 million in
19 sales, up 9% from \$9.6 million reported for the same period last
20 year. Sales from the Health and Bio-product segment were \$5.5
21 million, up 12% from \$4.9 million for the second quarter of 2008.

22 Gross profit for the second quarter of 2009 increased by 37% to
23 \$6.8 million, compared to gross profit of \$5 million for the same
24 period of 2008.

25 * * *

26 The second quarter once again saw strong top line growth across
our business segments, and though our net income was adversely
affected by new accounting rules, we believe that this revenue
growth demonstrates the significant leverage that our business
model continues to hold. Highlights for the second quarter also
included very favorable increases in our gross profit margins.
Fueling this leverage and our continued vertical integration was the
recent completion of our feed mill. This addition renders our feed
the most efficient feed available in China to Tilapia farmers,
reducing feed cost for farmers while guaranteeing for consumers
quality at a very high level, said Norbert Sporns, CEO of HQ
Sustainable Maritime Industries, Inc.

1 This press release was materially false and misleading because the reported financial results
 2 therein were false, and did not comply with GAAP or relevant SEC regulations. Further,
 3 Defendant Sporns' comments regarding "revenue growth" and "top line growth" were materially
 4 false and misleading for the same reasons.

5 38. Also on August 10, 2009, HQSM filed its quarterly report for Q2 2009 on Form
 6 10-Q with the SEC. This Form 10-Q was signed by Defendants Sporns and Dallaire and
 7 contained the same financial information as the August 10, 2009 press release, and was
 8 materially false and misleading for the same reasons. Further, this Form 10-Q contained
 9 identical Sarbanes-Oxley Certifications to the Q1 2009 Form 10-Q that were signed by
 10 Defendants Sporns and Dallaire, and which were materially false and misleading as the
 11 Sarbanes-Oxley Certifications contained in the Q1 2009 Form 10-Q.

12 39. On November 9, 2009, HQSM announced its operating results for Q3 2009,
 13 ending on September 30, 2009, in a press release highlighting a significant increase in gross
 14 profit margin:

15 **HEADLINE: HQ Sustainable Maritime Reports Third**
 16 **Quarter Results; Gross Profit Margin up 17.3% From the**
 17 **First Nine Months of 2008**

18 DATELINE: SEATTLE, WA; Nov 09, 2009

19 **BODY:**

20 HQ Sustainable Maritime Industries, Inc. (NYSE Amex: HQS)
 21 ("HQS" or the "Company"), a leader in all natural integrated
 22 aquaculture and aquatic product processing, including fish
 23 byproduct and personal healthcare products, today announced its
 24 financial results for the third quarter ended September 30, 2009.

25 **Third Quarter 2009 Results**

26 For the quarter ended September 30, 2009, sales decreased by
 1.4% to \$22.2 million, compared to \$22.4 million for the third
 quarter of 2008. The Aquaculture Product segment accounted for
 \$14 million in sales, down 7% from \$15.1 million reported for the
 same period last year. Sales from the Health and Bio-product
 segment were \$8.1 million, up 10% from \$7.3 million for the third
 quarter of 2008.

* * *

Net income for the third quarter was \$4 million, or \$0.268 cents per fully diluted share compared to net income of \$5.6 million, or \$0.427 cents per fully diluted share, for the third quarter of 2008. Net income during the current quarter was affected by increases in doubtful accounts of approximately \$1,606,000 and marketing and advertising expenses by approximately \$979,000 from the health and bio-product segment.

Our Company continues to see significant demand for its biomass products, and to benefit from the manner in which we have balanced our portfolio of product offerings to reduce the impact of seasonality and price fluctuations. During the quarter, increased demand for our Marine Bio and Healthcare products resulted in much improved sales, and helped to mitigate the impact of the reduction in the selling price of tilapia in our aquatic products segment that we have seen this year. Increased vertical integration is also beginning to pay dividends, as we saw decreased raw material costs with respect to our fish and other indirect expenses during the quarter. This has resulted in a significant improvement in our profitability so far in 2009, and we hope to see this trend continued in future quarters, said Norbert Sporns, CEO of HQ Sustainable Maritime Industries, Inc.

This press release was materially false and misleading because the reported financial results therein were false, and did not comply with GAAP or relevant SEC regulations. Further, Defendant Sporns' comments regarding "much improved sales" and "significant improvement in profitability" were materially false and misleading for the same reasons.

40. Also on November 9, 2009, HQSM filed its quarterly report for Q3 2009 on Form 10-Q with the SEC. This Form 10-Q was signed by Defendants Sporns and Dallaire and contained the same financial information as the November 9, 2009 press release, and was materially false and misleading for the same reasons. Further, this Form 10-Q contained identical Sarbanes-Oxley Certifications to the Q1 2009 Form 10-Q that were signed by Defendants Sporns and Dallaire, and which were materially false and misleading as the Sarbanes-Oxley Certifications contained in the Q1 2009 Form 10-Q.

41. On March 15, 2010, HQSM announced its operating results for Q4 2009 and the year ended December 31, 2009 in a press release.

HQ Sustainable Maritime Industries, Inc. (NYSE Amex: HQS) (“HQS” or the “Company”), a leading producer of functional, sustainable Tilapia biomass, including fish and personal healthcare products, today reported financial results for the fourth quarter and full year ended December 31, 2009.

Fourth Quarter 2009 Results

For the fourth quarter of 2009, net sales increased 8.2% to \$23.3 million, compared to \$21.5 million for the fourth quarter of the prior year. The increase in net sales was primarily the result of a strong performance in the health and bio-product segment.

* * *

Net income for the fourth quarter of 2009 was \$1.6 million, or \$0.12 per diluted share compared to net income of \$6.4 million, or \$0.53 per diluted share in the fourth quarter of 2008. Net income during the fourth quarter of 2009 was affected by increases in doubtful accounts of approximately \$2.9 million and an increase in marketing and advertising expenses by approximately \$1.8 million from the health and bio-product segment.

The Company successfully expanded its sales of high quality, health and bio-products made from Tilapia by-products, in response to a landmark shift in China food safety legislation passed in March of 2009, which caused the closure of several of China's health and food product manufacturing facilities. This unprecedented opportunity for our Company in China has resulted in a short term increase in receivables and higher marketing expenses in our health and bio-product segment, said Norbert Sporns, HQ Sustainable Maritime's President and Chief Executive Officer. In 2010, we believe our efforts to reposition our Company behind higher margin product categories combined with increased operating efficiencies from our vertically integrated operations will enable us to realize an exceptional period of strong sales, margin expansion, and long-term profitable growth.

This press release was materially false and misleading because the reported financial results therein were false, and did not comply with GAAP or relevant SEC regulations. Further, Defendant Sporns' comments regarding sales were materially false and misleading for the same reasons.

42. Also on March 15, 2010, HQSM filed its quarterly report for Q4 2009 and the year ended December 31, 2009 on Form 10-K with the SEC. This Form 10-K was signed by Defendants Sporns and Dallaire and contained the same financial information as the March 15,

2010 press release, and was materially false and misleading for the same reasons. Further, this Form 10-K contained identical Sarbanes-Oxley Certifications to the Q1 2009 Form 10-Q that were signed by Defendants Sporns and Dallaire, and which were materially false and misleading as the Sarbanes-Oxley Certifications contained in the Q1 2009 Form 10-Q.

43. On May 10, 2010, HQSM announced its operating results for the first quarter of 2010 in a press release. These reported financial results showed a marked improvement over the previous year's reported financial results:

HQ Sustainable Maritime Industries, Inc. Announces First Quarter 2010 Financial Results

First Quarter Sales Increased 33% to \$14.4 Million, Compared to \$10.8 Million Last Year; Operating Income Increased 61% to \$1.6 Million; Company Generated EBITDA of \$2.1 Million for the First Quarter, an Increase of 42%

SEATTLE, WA, May 10, 2010 (Marketwire) --

SEATTLE, WA -- (Marketwire) -- 05/10/10 -- HQ Sustainable Maritime Industries, Inc. (NYSE Amex: HQS) ("HQS" or the "Company"), a leading producer of functional, sustainable Tilapia biomass, including fish and personal healthcare products, today reported financial results for the first quarter ended March 31, 2010.

First Quarter 2010 Results

For the first quarter of 2010, sales increased 33% to \$14.4 million, compared to \$10.8 million for the first quarter of the prior year. The increase in sales was primarily the result of strength across each segment including aquaculture products, health and bio-products, as well as the new feed products added in late 2009.

* * *

Net income for the first quarter of 2010 was \$1.5 million, or \$0.09 per diluted share compared to net income of \$1.1 million, or \$0.09 per diluted share in the first quarter of 2009. Net income during the first quarter of 2010 was positively impacted by the net recovery in doubtful accounts of approximately \$0.7 million and a decrease in marketing and advertising expenses by approximately \$0.4 million from the health and bio-product segment.

We are pleased to report a strong improvement in our sales and profitability. In the first quarter, we successfully recovered more than 80% of our doubtful accounts. The provisions for doubtful

accounts were made in prior quarters as a result of a planned, strategic investment in our health and bio-product segment, in order to capture greater market share, said Norbert Sporns, HQ Sustainable Maritime's President and Chief Executive Officer. We continue to focus on being leaders in the value added use of Tilapia fillet and Tilapia by-products. We are building strong international partnerships across each of our product segments through the credibility and efficacy of our products and brands. These partnerships give us great confidence in our business model and our long-term growth opportunities."

This press release was materially false and misleading because the reported financial results therein were false, and did not comply with GAAP or relevant SEC regulations. Further, Defendant Sporns' comment regarding the "strong improvement" in sales was materially false and misleading for the same reasons.

44. Also on May 10, 2010, HQSM filed its quarterly report for Q1 2010 on Form 10-Q with the SEC. This Form 10-Q was signed by Defendants Sporns and Dallaire and contained the same financial information as the May 10, 2010 press release, and was materially false and misleading for the same reasons. Further, this Form 10-Q contained identical Sarbanes-Oxley Certifications to the Q1 2009 Form 10-Q that were signed by Defendants Sporns and Dallaire, and which were materially false and misleading as the Sarbanes-Oxley Certifications contained in the Q1 2009 Form 10-Q.

45. On August 9, 2010, HQSM announced its Q2 2010 financial results in a press release. This release touted the Company's impressive second quarter sales growth of 29%:

HQ Sustainable Maritime Industries, Inc. Announces Second Quarter 2010 Financial Results

Second Quarter Sales Increased 29% to \$20.7 Million, Compared to \$16 Million Last Year

SEATTLE, WA, Aug. 9, 2010 (Marketwire) --

SEATTLE, WA -- (Marketwire) -- 08/09/10 -- HQ Sustainable Maritime Industries, Inc. (NYSE Amex: HQS) ("HQS" or the "Company"), a leading producer of functional, sustainable Tilapia biomass, including fish and personal healthcare products, today reported financial results for the second quarter ended June 30, 2010.

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Second Quarter 2010 Results

For the second quarter of 2010, sales increased 29% to \$20.7 million, compared to \$16 million for the second quarter of the prior year. The increase in sales was primarily the result of strength from the new feed products added in late 2009.

* * *

Net income for the second quarter of 2010 was \$1.3 million, or \$0.07 per diluted share calculated on 14.9 million diluted shares compared to net income of \$1.1 million, or \$0.09 per diluted share calculated on 12.6 million diluted shares in the second quarter of 2009.

* * *

We are pleased to report strong revenue growth for the second quarter. Operationally our results improved sequentially and we are optimistic about our future growth in each of our three primary product segments, said Norbert Sporns, HQ Sustainable Maritime's President and Chief Executive Officer. We are laying the foundation to deliver long-term value to our shareholders. We continue to focus on execution, including increased sales of our diversified products, increased margin expansion, and vertical integration in the production of our all-natural Tilapia aquaculture bio-mass which will further reduce the costs of production and increase long-term profitable growth and cash flow generation.

This press release was materially false and misleading because the reported financial results therein were false, and did not comply with GAAP or relevant SEC regulations. Further, Defendant Sporns' comment regarding the "strong revenue growth" was materially false and misleading for the same reasons.

46. Also on August 9, 2010, HQSM filed its quarterly report for Q2 2010 on Form 10-Q with the SEC. This Form 10-Q was signed by Defendants Sporns and Dallaire and contained the same financial information as the August 9, 2010 press release, and was materially false and misleading for the same reasons. Further, this Form 10-Q contained identical Sarbanes-Oxley Certifications to the Q1 2009 Form 10-Q that were signed by Defendants Sporns and Dallaire, and which were materially false and misleading as the Sarbanes-Oxley Certifications contained in the Q1 2009 Form 10-Q.

47. On August 10, 2010, HQSM announced in a press release that its excellent reported financial results had allowed it to sell more than \$11.5 million of Company stock and warrants to an unsuspecting market:

HQ Sustainable Maritime Industries, Inc. Announces Pricing of Follow-On Offering

SEATTLE, WA, Aug. 10, 2010 (Marketwire) --

SEATTLE, WA -- (Marketwire) -- 08/10/10 -- HQ Sustainable Maritime Industries, Inc. (NYSE Amex: HQS) ("HQS" or the "Company"), a leading producer of functional, sustainable Tilapia biomass, including fish and personal healthcare products, today announced the pricing of a follow-on public offering of 3,202,999 units at \$3.6125 per unit for an aggregate of 3,202,999 shares of common stock and warrants to acquire 1,601,499 shares of common stock. Each unit consists of one common share and 0.5 of a warrant, with a per share exercise price of \$4.5156.

The Company will receive \$11,570,834 million in gross proceeds, prior to deducting underwriting discounts and commissions and offering expenses payable by the Company. The Company expects to use these proceeds for general corporate purposes, including investments in its Marine Bio and Healthcare Products segment. The offering is expected to close on August 13, 2010.

48. On November 9, 2010, HQSM announced its Q3 2010 financial results in a press release:

HQ Sustainable Maritime Industries, Inc. Announces Third Quarter 2010 Financial Results

Third Quarter Sales Increased 27% to \$28.2 Million, Compared to \$22.2 Million Last Year

Company Generated Third Quarter EBITDA of \$8.0 Million, an Increase of 63%

Net Income Grew 70% to \$6.9 Million, Compared to \$4.0 Million Last Year

Nov. 9, 2010 (Marketwire) --

SEATTLE, WA -- (Marketwire) -- 11/09/10 -- HQ Sustainable Maritime Industries, Inc. (NYSE Amex: HQS) ("HQS" or the "Company"), a leading producer of functional, sustainable Tilapia biomass, including fish and personal healthcare products, today

1 reported financial results for the third quarter ended September 30,
2 2010.

3 Third Quarter 2010 Results

4 For the third quarter of 2010, sales increased 27% to \$28.2 million,
5 compared to \$22.2 million for the third quarter of the prior year.
6 The increase in sales was primarily the result of strength from the
7 new feed products added in late 2009.

8 * * *

9 Net income for the third quarter of 2010 increased by 70% or \$2.8
10 million to \$6.9 million, or \$0.40 per diluted share calculated on
11 16.6 million diluted shares compared to net income of \$4.0
12 million, or \$0.27 per diluted share calculated on 14.8 million
13 diluted shares in the third quarter of 2009. Although the overall
14 gross profit was less in the third quarter of 2010, the bad debt
15 recovery had the most significant positive impact on the current
16 quarterly results.

17 This press release was materially false and misleading because the reported financial results
18 therein were false, and did not comply with GAAP or relevant SEC regulations.

19 49. Also on November 9, 2010, HQSM filed its quarterly report for Q3 2010 on Form
20 10-Q with the SEC. This Form 10-Q was signed by Defendants Sporns and Dallaire and
21 contained the same financial information as the November 9, 2010 press release, and was
22 materially false and misleading for the same reasons. Further, this Form 10-Q contained
23 identical Sarbanes-Oxley Certifications to the Q1 2009 Form 10-Q that were signed by
24 Defendants Sporns and Dallaire, and which were materially false and misleading as the
25 Sarbanes-Oxley Certifications contained in the Q1 2009 Form 10-Q.

26 50. On November 15, 2010, TheStreet.com identified HQSM as one of the “winners”
for the week based on his large price gains related to its Q3 earnings announcement:

NEW YORK (TheStreet) -- Global equity markets fell last week
on fears of China's tightening monetary policy and weakening
confidence in the U.S. economic recovery. China: Winners and
Losers: HQ Sustainable Maritime Industries (HQS:AMEX) was
the top gainer with a 34.5% increase. Third-quarter sales were up
27% to \$28.2 million from the year-ago period, following strong
new feed products sales. Net income for the quarter jumped 70% to
\$6.9 million, or 40 cents a share.

51. On March 9, 2011, HQSM announced that it would disclose its operating results for Q4 2010 and the year ended December 31, 2010 after the close of the market on March 16, 2011. The Company also disclosed that it would host an associated conference call, led by Defendants Sporns and Dallaire, at 4:30 p.m. ET on March 16, 2011:

HQ Sustainable Maritime Industries, Inc. to Announce Results for the Fourth Quarter and Fiscal Year Ended December 31, 2010

Mar. 9, 2011 (Marketwire) --

SEATTLE, WA -- (Marketwire) -- 03/09/11 -- HQ Sustainable Maritime Industries, Inc. (NYSE Amex: HQS) ("HQS" or the "Company"), a leading producer and marketer of health products derived from marine based raw materials as well as Tilapia resulting from vertically integrated operations, will announce results for the fourth quarter and fiscal year ended December 31, 2010 on Wednesday, March 16, 2011, after the market close. The Company will also host a conference call to discuss these results with additional comments and details. Participating on the call will be Norbert Sporns, President and Chief Executive Officer, and Jean-Pierre Dallaire, Chief Financial Officer.

The conference call is scheduled to begin at 4:30 p.m. ET on March 16, 2011. The call will be broadcast live over the Internet hosted at the Investor Relations section of HQ Sustainable Maritime's website at <http://www.hqfish.com/>, and will be archived online through March 25, 2011. In addition, domestic participants may dial (877) 407-9039 and international participants may dial (201) 689-8470 to listen to the live broadcast.

52. On March 16, 2011, the Company announced in a press release that it would file a Notification of Late Filing on Form 12b-25 with the SEC, allowing it to postpone the filing of its annual report on Form 10-K for fifteen calendar days, or until April 1, 2011. The Company disclosed that it "fully expected" to file the Form 10-K by the April 1, 2011 deadline:

HQ Sustainable Maritime Industries, Inc. to Postpone Fourth Quarter and Fiscal Year 2010 Earnings Release Date
Mar. 16, 2011 (Marketwire) --

SEATTLE, WA -- (Marketwire) -- 03/16/11 -- HQ Sustainable Maritime Industries, Inc. (NYSE Amex: HQS) ("HQS" or the "Company"), a leading producer and marketer of health products derived from marine based raw materials as well as Tilapia

1 resulting from vertically integrated operations, will postpone the
 2 release of their fourth quarter and fiscal year 2010 earnings. The
 3 Company will file a Notification of Late Filing on Form 12b-25
 4 with the United States Securities and Exchange Commission for its
 5 Annual Report on Form 10-K for the year ended December 31,
 2010. The Form 12b-25 will allow the Company an additional 15
 calendar days to file the Form 10-K which is otherwise due on
 March 16, 2011. Details regarding the specific release date and
 conference call will be provided in a forthcoming news release.

6 The postponement in filing is due to delays in compiling
 7 information for the preparation of the financial statements. The
 8 Company fully expects to be able to file within the additional time
 allowed by the Form 12b-25 and plans to file as soon as possible
 following the completion of the audit of the financial statements.

9 **C. HQSM Shares Are Suspended From Trading**

10 53. On April 1, 2011, the Company announced that – despite its earlier
 11 representations -- it would be forced to “postpone” the filing of its annual report on Form 10-K
 12 for the year ended December 31, 2010:

13 **HQ Sustainable Maritime Industries, Inc. Postpones Filing of** 14 **Form 10-K for the Year Ended December 31, 2010**

15 Apr. 1, 2011 (Marketwire) --

16 SEATTLE, WA -- (Marketwire) -- 04/01/11 -- HQ Sustainable
 17 Maritime Industries, Inc. (NYSE Amex: HQS) (“HQS” or the
 18 “Company”), a leading producer and marketer of health products
 19 derived from marine based raw materials as well as Tilapia
 20 resulting from vertically integrated operations, has postponed the
 21 filing of its Form 10-K for the year ended December 31, 2010. The
 22 Company is postponing the filing of its Form 10-K because the
 audit of the Company's financial statements has not been
 completed due to difficulties and delays in obtaining and verifying
 certain information. The Company's independent auditors will
 continue to work toward the completion of the audit. The
 Company expects to complete the audit within approximately 30
 days.

23 54. In response to this shocking disclosure, the AMEX suspended HQSM shares from
 24 trading, and they remain suspended to the current date. The last trade of HQSM shares on April
 25 1, 2011 was at \$2.78 per share.
 26

VI. POST-CLASS PERIOD DISCLOSURES CONFIRM THE FRAUD

A. Resignation of Andrew Intrader

55. On April 6, 2011, the Chairman of HQSM's audit committee, Andrew Intrader, abruptly resigned in a letter to Defendant Sporns, stating that he was "compelled by conscience" to resign because of the roadblocks thrown up by Defendant Sporns and others to keep the Company's auditors from being able to review the alleged "sales" made by the Company:

As you are aware, over the last few weeks issues have been raised during the audit process focusing on difficulties in verifying information relating to company accounts and customer positions. During that time, the audit committee has asked repeatedly that management cooperate with the audit process and provide the requested information and verifications on terms that were acceptable to both the auditors and company management. Those efforts were met with delay and resistance. While some steps were taken to address the situation, they were insufficient to resolve the issues. Just to be clear, I will discuss some of these details below.

On Tuesday (March 29), following discussions with you and other directors and in my capacity as Audit Committee Chairman, I engaged Latham & Watkins to conduct an independent inquiry into the concerns that developed during the audit process as to the possible breach of procedures relating to the verification or confirmation of company accounts and customer positions and the extent to which that possible breach extended beyond a handful of incidents. All of this was under the pressure of the filing deadline, when time was of the essence. That deadline was missed, however, and the trading of the company's stock was suspended as of April 1, 2011.

At the time that I initiated the independent inquiry, you pledged your cooperation. Latham & Watkins tendered a list of requests to the company through lawyers at Troutman Sanders, which served as outside counsel for the firm, and they subsequently requested payment of a retainer to begin work. This was followed on Thursday by a meeting of the board of directors in which the members of the management team who serve on the board, including you, Lillian Li and Harry Hua, initially declined to vote affirmatively on two basic but key resolutions, one to retain Troutman Sanders as counsel to the company with an enlarged mandate to assist the internal inquiry and the second pledging the company's cooperation in the internal inquiry. When I and some of the other independent directors asked for the reasons for the management team's troubling decision to refuse to vote for these two important and essential resolutions, the reasons given - namely that a resolution mandating cooperation was "insulting" and that

Troutman Sanders had only been serving as securities counsel-
were not compelling. Unfortunately, it took me and some of the
other independent directors to convince you and the management
team to vote for these resolutions.

* * *

I understand that yesterday you met with the auditors in Toronto in
a meeting in which little or no progress was made in addressing the
significant issues that remain open in the audit process. Moreover,
I still have not heard from you, even though you have been in
contact with other members of the management team, other board
members, and the auditors. Yesterday evening, I renewed my
requests for the payment of the appropriate retainers and the
production of important information and documents that are
essential preliminary steps to launching the independent inquiry. I
also added a request to see a draft of the 8K filing which must be
made tomorrow. I asked that those items be complied with by 1
PM today. As of that time, aside from the efforts of Jean Pierre to
collect documents under his control regarding activities in the
United States, none of my requests had been complied with.

This series of events, beginning gradually during the difficulties in
the audit process and then increasing over the last week, the
uncooperative conduct of the management team at the board of
directors meeting, and now the current failure to communicate with
me at a point when every second counts, coupled with a pattern of
decisions by management that are difficult for me to understand,
have left the company without its long-standing outside counsel at
a crucial moment, have failed to advance the audit process and
have failed even to initiate, let alone move forward, the
independent inquiry, leads me to the conclusion that I can no
longer be effective in my efforts to help the company move
forward. My interest in seeing this process through to its
completion remains unwavering, but the continued resistance of
management to these necessary steps has made it impossible to
advance this effort. **Accordingly, I am compelled by conscience
to resign from the board of directors and the audit committee,
effective immediately.** (emphasis added).

56. Director Intrader also cited another reason in his letter for his concern about the
management of the Company – that the Company had failed to file a notice of claim with the
Company’s directors’ and officers’ liability insurance policy, presumably to address misconduct
by certain officers and directors of the Company. The Company’s legal counsel was so
concerned about this misconduct (and other misconduct at the Company), that they resigned as
legal counsel to HQSM.

57. On April 7, 2011, the Company announced in a press release that

HQ Sustainable Maritime Industries, Inc. Receives NYSE Amex Notification Regarding Noncompliance With Continued Listing Standards

Apr. 7, 2011 (Marketwire) --

SEATTLE, WA -- (Marketwire) -- 04/07/11 -- HQ Sustainable Maritime Industries, Inc. (NYSE Amex: HQS) ("HQS" or the "Company"), a leading producer and marketer of health products derived from marine based raw materials as well as Tilapia resulting from vertically integrated operations, announced today that it had received a notice from the NYSE Amex dated April 1, 2011 stating that the Company was not in compliance with certain continued listing standards of the NYSE Amex Company Guide. Specifically, the Company was not in compliance with standards set forth under Sections 134 and 1101 of the Exchange Company Guide since the Company has not yet filed its Annual Report on Form 10-K for the fiscal year ended December 31, 2010. The Exchange notified the Company that pursuant to Section 1003(d) of the Company Guide, the Exchange was authorized to suspend and, unless prompt corrective action is taken, remove the Company's securities from the Exchange. Currently, the trading in the Company's securities has been halted.

58. On April 13, 2011, the Company announced in a press release that the resignation of Director Intrader was another reason that HQSM was not in compliance with listing standards for the American Stock Exchange:

HQ Sustainable Maritime Industries, Inc. Receives NYSE Amex Notification Regarding Noncompliance With Continued Listing Standards

Apr. 13, 2011 (Marketwire) --

SEATTLE, WA -- (Marketwire) -- 04/13/11 -- HQ Sustainable Maritime Industries, Inc. (NYSE Amex: HQS) ("HQS" or the "Company"), a leading producer and marketer of health products derived from marine based raw materials as well as Tilapia resulting from vertically integrated operations, announced today it received a notice from the NYSE Amex LLC (the "Exchange") notifying the Company that, following resignation of its independent non-executive director and the Chairman of the Audit Committee effective April 6, 2011 (as disclosed in the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 11, 2011), the Company was not in compliance with continued listing standards set forth under Sections 802(a) and 803(B)(2)(a) of the Exchange Company

Guide. The foregoing Sections require a listed company to maintain a majority of independent directors on its Board of Directors and at least three independent directors on the company's Audit Committee. The Exchange staff noted that the Company will have until the earlier of (i) its next annual shareholder meeting or (ii) April 6, 2012, to regain compliance with the foregoing continued listing requirements. The Company has commenced its search for a candidate to fill in the vacancy resulting from the director resignation and will endeavor to complete the process and appoint such replacement to the Board and the Audit Committee as soon as practicable.

The Company was previously notified that it was not in compliance with continued listing standards set forth under Sections 134 and 1101 of the Exchange Company Guide since the Company was yet to file its Annual Report on Form 10-K for the fiscal year ended December 31, 2010. The trading in the Company's securities remains halted. A .BC indicator will be attached to the Company's ticker symbol in addition to the .LF indicator previously appended.

VII. ADDITIONAL SCIENTER ALLEGATIONS

59. As alleged herein, Defendants acted with scienter in that Defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, Defendants, by virtue of their receipt of information reflecting the true facts regarding HQSM, their control over, and/or receipt and/or modification of HQSM's allegedly materially misleading misstatements and/or their associations with the Company, which made them privy to confidential proprietary information concerning HQSM, participated in the fraudulent scheme alleged herein.

VIII. LOSS CAUSATION/ECONOMIC LOSS

60. During the Class Period, as detailed herein, Defendants engaged in a scheme to deceive the market and a course of conduct that artificially inflated the prices of HQSM common stock and operated as a fraud or deceit on Class Period purchasers of HQSM common stock by

1 failing to disclose and misrepresenting the adverse facts detailed herein. When Defendants' prior
 2 misrepresentations and fraudulent conduct were disclosed and became apparent to the market,
 3 the price of HQSM common stock fell precipitously as the prior artificial inflation came out. As
 4 a result of their purchases of HQSM common stock during the Class Period, Plaintiff and the
 5 other Class members suffered economic loss, *i.e.*, damages, under the federal securities laws.

6 61. By failing to disclose to investors the adverse facts detailed herein, Defendants
 7 presented a misleading picture of HQSM's business and prospects. Defendants' false and
 8 misleading statements had the intended effect and caused HQSM common stock to trade at
 9 artificially inflated levels throughout the Class Period, reaching as high as \$9.77 per share on
 10 June 2, 2009.

11 62. The decline in HQSM shares was a direct result of the nature and extent of
 12 Defendants' fraud finally being revealed to investors and the market. The timing and magnitude
 13 of the price decline in HQSM common stock negates any inference that the loss suffered by
 14 Plaintiff and the other Class members was caused by changed market conditions,
 15 macroeconomic or industry factors or Company-specific facts unrelated to Defendants'
 16 fraudulent conduct. The economic loss, *i.e.*, damages, suffered by Plaintiff and the other Class
 17 members was a direct result of Defendants' fraudulent scheme to artificially inflate the prices of
 18 HQSM common stock and the subsequent significant decline in the value of HQSM common
 19 stock when Defendants' prior misrepresentations and other fraudulent conduct were revealed.

20 **IX. APPLICABILITY OF PRESUMPTION OF RELIANCE: FRAUD ON THE** 21 **MARKET DOCTRINE**

22 63. At all relevant times, the market for HQSM common stock was an efficient
 23 market for the following reasons, among others:

24 (a) HQSM common stock met the requirements for listing, and was listed and
 25 actively traded on the AMEX, a highly efficient and automated market;
 26

1 (b) as a regulated issuer, HQSM filed periodic public reports with the SEC
2 and the AMEX;

3 (c) HQSM regularly communicated with public investors via established
4 market communication mechanisms, including regular disseminations of press releases on the
5 national circuits of major newswire services and other wide-ranging public disclosures, such as
6 communications with the financial press and other similar reporting services; and

7 (d) HQSM was followed by several securities analysts employed by major
8 brokerage firms who wrote reports which were distributed to the sales force and certain
9 customers of their respective brokerage firms. Each of these reports was publicly available and
10 entered the public marketplace.

11 64. As a result of the foregoing, the market for HQSM common stock promptly
12 digested current information regarding HQSM from all publicly available sources and reflected
13 such information in the prices of the stock. Under these circumstances, all purchasers of HQSM
14 common stock during the Class Period suffered similar injury through their purchase of HQSM
15 common stock at artificially inflated prices and a presumption of reliance applies.

16 **X. NO SAFE HARBOR**

17 65. The statutory safe harbor provided for forward-looking statements under certain
18 circumstances does not apply to any of the allegedly false statements pleaded in this Complaint.
19 Many of the specific statements pleaded herein were not identified as “forward-looking
20 statements” when made. To the extent there were any forward-looking statements, there were no
21 meaningful cautionary statements identifying important factors that could cause actual results to
22 differ materially from those in the purportedly forward-looking statements. Alternatively, to the
23 extent that the statutory safe harbor does apply to any forward-looking statements pleaded
24 herein, Defendants are liable for those false forward-looking statements because at the time each
25 of those forward-looking statements were made, the particular speaker knew that the particular
26 forward-looking statement was false, and/or the forward-looking statement was authorized

1 and/or approved by an executive officer of HQSM who knew that those statements were false
2 when made.

3 COUNT I

4 Violation of Section 10(B) of 5 the Exchange Act and Rule 10b-5 6 Promulgated Thereunder Against All Defendants

6 66. Plaintiff repeats and realleges each and every allegation contained above as if
7 fully set forth herein.

8 67. During the Class Period, Defendants disseminated or approved the materially
9 false and misleading statements specified above, which they knew or deliberately disregarded
10 were misleading in that they contained misrepresentations and failed to disclose material facts
11 necessary in order to make the statements made, in light of the circumstances under which they
12 were made, not misleading.

13 68. Defendants: (a) employed devices, schemes, and artifices to defraud; (b) made
14 untrue statements of material fact and/or omitted to state material facts necessary to make the
15 statements not misleading; and (c) engaged in acts, practices, and a course of business which
16 operated as a fraud and deceit upon the purchasers of the Company's common stock during the
17 Class Period.

18 69. Plaintiff and the Class have suffered damages in that, in reliance on the integrity
19 of the market, they paid artificially inflated prices for HQSM common stock. Plaintiff and the
20 Class would not have purchased HQSM common stock at the prices they paid, or at all, if they
21 had been aware that the market prices had been artificially and falsely inflated by Defendants'
22 misleading statements.

23 70. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and
24 the other members of the Class suffered damages in connection with their purchases of HQSM
25 common stock during the Class Period.
26

COUNT II

**Violation of Section 20(A) of
the Exchange Act Against the Individual Defendants**

71. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

72. The Individual Defendants acted as controlling persons of HQSM within the meaning of Section 20(a) of the Exchange Act as alleged herein. By reason of their positions as officers and/or directors of HQSM, and their ownership of HQSM stock, the Individual Defendants had the power and authority to cause HQSM to engage in the wrongful conduct complained of herein. By reason of such conduct, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act.

XI. PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for relief and judgment, as follows:

A. Determining that this action is a proper class action, designating Plaintiff as Lead Plaintiff and certifying Plaintiff as a Class representative under Rule 23 of the Federal Rules of Civil Procedure and Plaintiff's counsel as Lead Counsel;

B. Awarding compensatory damages in favor of Plaintiff and the other Class members against all Defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

C. Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

D. Such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

1
2 DATED this 28th day of April, 2011.
3

4 By: /s/ Steve W. Berman

5 Steve W. Berman, WSBA #12536

6 Karl P Barth, WSBA #22780

7 **HAGENS BERMAN SOBOL SHAPIRO LLP**

8 1918 Eighth Avenue, Suite 3300

9 Seattle, Washington 98101

10 Telephone: (206) 623-7292

11 Facsimile: (206) 623-0594

12 *Attorneys for Plaintiffs*
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CERTIFICATION OF NAMED PLAINTIFF
PURSUANT TO FEDERAL SECURITIES LAWS

Jason Mooney ("Plaintiff") declares as to the claims asserted under the federal securities laws, that:

1. Plaintiff has reviewed a complaint alleging securities fraud against HQ Sustainable Maritime, Inc. and related parties and authorized its filing.
2. Plaintiff did not acquire the security that is the subject of this action at the direction of Plaintiff's counsel in order to participate in this private action or any other litigation under the federal securities laws.
3. Plaintiff is willing to serve as a representative party on behalf of the class, including providing testimony at deposition and trial, if necessary.
4. Plaintiff has made no transaction(s) during the Class Period in the securities that are the subject of this action except those set forth below:

Purchases:

<u>Date Purchased</u>	<u>Number of Shares</u>	<u>Price Per Share</u>	<u>Total Price</u> ★
12/16/09	90	\$ 6.72	\$ 605.
11/27/09	100	6.95	695.
11/10/09	200	7.46	1,492.
11/10/09	150	7.05	1,057.
10/19/09	150	8.28	1,242.

★ Exclusive of
brokerage
Fees.

Sales:

<u>Date Sold</u>	<u>Number of Shares</u>	<u>Price Per Share</u>	<u>Total Price</u>

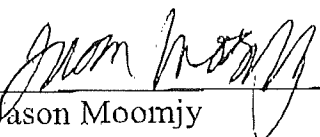
5. During the three years prior to the date of this Certificate, Plaintiff has not sought to serve or served as a representative party for a class in the following actions filed under the federal securities laws except as detailed below:

6. Plaintiff will not accept any payment for serving as a representative party on behalf of the class beyond the Plaintiff's pro rata share of any recovery, except such reasonable costs and expenses (including lost wages) directly relating to the representation of the class as ordered or approved by the court.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 28 day of April, 2011.

By


Jason Moomjy